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Book Reviews

Federal Milk Marketing Orders and Price Supports, Edited by Paul MacAvoy. Ford Administration Papers on Regulatory Reform, Washington: American Enterprise Institute for Public Policy Research, 1977. Pp.v, 168, no index. \$US 3.75 (soft covers).

This book is a condensed version of a study of Federal Government involvement in the United States Dairy Industry. It was undertaken by the American Department of Justice as background for a general policy review by the Ford Administration, and the book is another in the series of Ford Administration papers on regulatory reform.

Milk Orders are the main instrument of specific dairy industry regulation at the national level. A Milk Order sets minimum prices paid to producers by processors in specified areas for milk consumed as whole milk. Dairy farm incomes are also supported through purchases by the Commodity Credit Corporation. Indirect assistance is provided by legislative support for dairy farmer co-operatives, and by their ability to gain exemption from anti-trust restrictions.

The book has seven relatively distinct sections on aspects of national dairy industry regulation. It opens with an excellent introduction to the Federal Milk Order system. This is supported by a review of dairy marketing legislation (including the Capper-Volstead Act—source of anti-trust exemption for co-operatives) to establish the content and intent of basic policies. A second section outlines the major characteristics of the milk production system, market structure of sectors of the industry, and deals specifically with the conduct of farmer co-operatives. The exposure of co-operative bargaining activity is particularly interesting and well detailed. Section three is a rather untidy analysis of the impact of the Federal Order system on the free operation of dairy industry markets. The major factors are mentioned—including the setting of price levels, milk mobility restrictions and direct supply controls—but are not drawn together neatly. The interactions and cross effects of the various orders could have been revealed more clearly.

Section four provides evidence on “the existence and exercise of market power by dairy co-operatives”. It follows the structure of a legal presentation on the anti-competitive activities of dairy co-operatives. Sections five and six outline the costs and social benefits of federal milk regulations. Unfortunately, the estimates of misallocation and transfer costs are drawn largely from unpublished work, which restricts further investigation. Social benefits are evaluated in the framework of the goals of the original legislation, and are found generally inefficient—similar benefits can be achieved at lower cost. Finally, the book summarizes the major findings: suggestions for future policy reflect general removal of government involvement from the dairy industry.

This publication contains a great deal of information on the evolution and current market impact of federal milk marketing legislation in the United States. There are however, a number of points which should be noted by any prospective reader. Firstly, the impact of State legislation on milk marketing and on the application of federal measures is neglected. Without changing the orientation of the book, matters such as State control of wholesale and retail marketing could have been usefully incorporated.

Secondly, the absence of a bibliography and the wide use of unpublished material limits the value of this book as a source for more detailed investigation.

Finally, it should be remembered that this is a Justice Department analysis—the dairy industry is viewed from the antitrust perspective of structure and conduct (unfortunately, performance measures are not explored), and the treatment is primarily descriptive.

Overall, the book can only be recommended as a guide to Federal regulations to the United States dairy industry. The approach is based on observations of the actual effects of dairy industry regulations on the free market, concentrating on the impact of marketing orders and the activities of farmer co-operatives.

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Why Poor People Stay Poor: Urban Bias in World Development, Michael Lipton. Canberra: Australian National University Press, August, 1977. Pp. 467, index, \$A24 (hard covers).

Economic literature prescribes the features of under-development to include a low level of income per person, a high proportion of the populace engaged in agriculture, low levels of applied production techniques and capital investment, and of education. Despite unprecedented world economic growth over the last three decades, and in some L.D.C.'s, the economic status of much of the world's population has improved little.

In the L.D.C.'s themselves, the more wealthy urban groups are in an infinitely better position than most of those involved in the rural sector, which typically accounts for 60–80 per cent of the population, but which receives a mere 20 per cent of investment. This is the main thrust of Professor Lipton's book, which closely examines urban bias in development policies, which crucially affect around one billion people. The urban class have been continually privileged, due to their "articulateness, organization and power". They have had the political "clout" to receive most of resource allocations and a greater share of project aid in terms of financial support and professional skills and expertise.

Unfortunately, this meagre share for the rural sector primarily goes to large farmers in the form of credit and subsidies. Labour is displaced by machines and the larger landholders are dissuaded from pressing for higher prices for agricultural commodities. The peasants stay poor, pressure on landholding increases, and the small farmer must work harder to feed his family. He is still in the grip of the same retinue of moneylenders, who have traditionally supplied finance at exorbitant interest rates for generations.

This book highlights methods through which the rural sector could acquire a greater share of resources, and meet the accepted criteria of efficiency and

equity. Within developing nations, it is highly desirable to initiate and generate confidence between the government and peasant farmers by decentralising the public services—teachers, doctors, police, agronomists and extension officers—so that through longer postings in regions (with suitable financial and other benefits) these officers may be able to appreciate more fully small farmers' problems. In an effort to increase the proportion of public expenditure in rural areas, the author also suggests the reassignment of "appropriate personnel, especially economists" skilled in project identification from institutions, planning commissions and nationalized industries to research stations, to evaluate irrigation programmes and assist officials at the rural level.

Significant national policy changes are needed regarding the composition of production. Emphasis should be given to maize, millets, cassavas, yams, potatoes and pulses, rather than satisfying the demands of the urban rich for fruit and dairy products. Investment in human capital for educational purposes should provide the means for specialists to be trained, but their skills should be applied and appropriate to the rural areas.

The World Bank, as a major donor, has shown some real concern, especially since 1972, to raise the share of its lending which goes to agriculture in general, and the rural poor in particular. Yet it is not easy to evaluate and administer a myriad of small farm operations such as storage bins on farms, tubewells, or the application of new pesticides. The institutionalized structure of the World Bank is a constraint. While local ministries can assist, there is really no substitute for continued involvement at the village level by donor representatives.

Donor countries could be looking to supply equipment and machinery more applicable to their own level of technology. Western style farm equipment, technology and practice may be completely inappropriate to subsistence type agriculture. That is, donor country's industries may have to develop equipment with a low to intermediate technology base suitable for L.D.C.'s.

Exports from L.D.C.'s usually comprise sugar, tea, coffee, cocoa, jute, sisal and cotton. As L.D.C.'s rural exports are generated, they often face some form of restriction from protectionist wealthy countries. One particular World Bank project—the production of oil palm—has been successful, especially in Malaysia and Indonesia, yet palm oil penetration into the U.S. market has aroused the ire of U.S. soybean farmers, who have been able to lobby for reduced imports of that particular commodity over the last three years.

While there are numerous problems relating to improving the rural sector in L.D.C.'s, Professor Lipton argues that a developed agricultural sector, capable of providing more food and jobs, is usually needed before complete development can spill over into other sectors. Careful development geared to the needs of the small farmer can assist the poorest country to develop and can provide up to three times return on each dollar invested. The author has had extensive experience in India and is very knowledgeable about South East Asia and Africa. He is Professorial Fellow at the Institute of Development Studies, University of Sussex and is a realist looking for "the best result possible, not the best possible result". Economists, as well as those from other disciplines, with an interest in developing countries will find this book invaluable.

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Crop Management Economics, Allan N. Rae, London: Crosby Lockwood Staples, 1977. Pp. 525, \$41.

Farm management economists have been variously criticized over the years for excessive preoccupation with methodology at the expense of applying basic concepts to real world management situations. Although this book is almost exclusively technique-oriented and does abstract from actual decision making processes, it nevertheless attempts to bridge the gap between practitioners and theoreticians with the aid of some well structured case studies. The book is a useful addition to the farm management economics literature because the treatment of its narrow range of subject matter is so thorough. The major emphasis on horticultural crops is not a serious limitation. On the contrary it emphasizes the fact that economists have done comparatively few farm management investigations of Australia's substantial horticultural industries. The major achievement of the book is the comprehensive treatment given to quantitative techniques used in the farm management field.

The book is perhaps somewhat unique amongst currently available, introductory farm management texts because of its extensive use of algebraic formulations and the rigorous presentation of farm management techniques. The level of mathematical understanding required does increase in the latter sections, however the presentation is clear and straightforward with a liberal smattering of case studies to illustrate developments in the logic. The emphasis on individual beliefs and preferences in the decision making process provides the book with a cohesive framework and allows a well structured development of topics from static budgeting through to sophisticated mathematical programming applications. The most desirable attribute of the book is its emphasis on the process of decision making and its lucid exposition on using decision theoretic techniques in farm management.

The first four chapters of the book provide an introductory exposition of production economics applied to crop response problems. Then follow four chapters which start with static budgeting techniques and lead up to multiple enterprise selection problems and the use of L.P. as a farm planning tool. The economic issues involved in relating marginal productivity theory, budgeting and linear economic theory are glossed over, though this is probably acceptable in an introductory text designed for agricultural science students. More emphasis could have been given to the theoretical limitations of these techniques and the restricted applicability of their results. The next three chapters on crop decision problems over time are a good introduction to the principles used in farm investment and finance planning. Discussion of asset replacement and farm development decisions is quite detailed, however the omission of machinery replacement problems is noticeable in the Australian context. Of the remaining three chapters, chapter 13 on probabilistic budgeting provides a readable introduction to some areas of recent farm management research. The last chapter on marketing management should have been either omitted or integrated into the earlier chapters.

There are several shortcomings of the book. The discussion of farm management data collection for budgeting and programming is superficial and omits aspects such as sources of existing data, sampling methods and procedures, data processing and display methods, role of market information in planning, and generally abstracts from the problems of attaching meaningful numbers to the algebraic representations used. Relatedly, the algebraic specifications of enterprises do not emphasize the very real problems of resource deployment within enterprises. In the context of Australian cereal and livestock

industries, much more emphasis needs to be given to budgetary control methods for inputs and outputs and the robustness of managers and their farm plans in dealing with unplanned divergences.

Overall, the book provides a comprehensive treatment of budgeting and programming techniques used in farm management. Generally, the treatment would be too shallow for agricultural economists wanting specialized training in quantitative farm management techniques. The major audience would appear to be agricultural science students doing service courses in farm management economics. But at \$A41 the text is not destined for a wide student audience. The text would be of most use to researchers and extension officers with non-economic training who wish to expand their knowledge of economic principles used in crop management. Finally, the book will be of interest to agricultural economists wanting a reference text for the rather specialized field of horticultural economics where it fills a significant gap in the existing farm management literature on cereal cropping and livestock economics.

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Miscellaneous Bulletins

The Division of Marketing and Economics publishes a bulletin series which reports a variety of research studies, survey results, data collections, etc., under the general title of *Miscellaneous Bulletin*.

To date the following bulletins have been published or are in press:

J. G. Ryan, "Financial Results of a Sample Survey of Rice Farms in the Murrumbidgee Irrigation Area" (*Miscellaneous Bulletin*, No. 3, June, 1968).

J. W. Freebairn, "Segregation of New South Wales Wheat: An Economic Investigation" (*Miscellaneous Bulletin*, No. 4, August, 1968).

J. G. Ryan, "Economics of the Development of Large Area Farms on the Coleambally Irrigation Area" (*Miscellaneous Bulletin*, No. 5, October, 1968).

Carolyn Rowe, "Financial Results of a Survey of the Broiler Growing Industry of New South Wales" (*Miscellaneous Bulletin*, No. 8, October, 1969).

J. G. Ryan, "Input-Output Data, Resource Restrictions and a Programming Matrix for Rice Farms on the Murrumbidgee Irrigation Area" (*Miscellaneous Bulletin*, No. 9, November, 1969).

B. J. Standen, "Direct Costs and Returns from the Installation and Operation of Refrigerated Milk Vats—The Farmers Viewpoint" (*Miscellaneous Bulletin*, No. 10, March, 1970).

A. J. Randall, "Management Data and Enterprise Budgets for Berriquin Irrigation District Farms" (*Miscellaneous Bulletin*, No. 12, 1970).

S. A. Hodgkinson, "Case Studies of Prune Production on the MIA and at Young: Part I—Financial Results" (*Miscellaneous Bulletin*, No. 13, 1971).

S. A. Hodgkinson, "Case Studies of Prune Production on the MIA and at Young: Part II—Prune Enterprise Gross Margins" (*Miscellaneous Bulletin*, No. 14, 1971).

R. J. Benson, "Evaluation of the North Coast Dairy Feed Year Assistance Scheme" (*Miscellaneous Bulletin*, No. 15, 1971).